

**The Hospital
Saturday Fund**

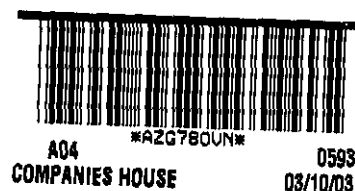


ANNUAL REPORT

and

FINANCIAL STATEMENTS

For the year ended
31st March 2003





THE HOSPITAL SATURDAY FUND
A Company Limited by Guarantee No. 30869
Founded in 1873 Incorporated 1890

Officers and Advisers 2002– 2003

<i>President</i>	The Right Honourable The Lord Mayor of London	
<i>Vice-Presidents</i>	The Right Honourable The Earl of Meath The Right Honourable The Lord Provost of Glasgow The Right Honourable The Lord Mayor of Dublin Mr K Fleming Roberts MWI	
<i>Life Members</i>	Mr F Barnes Miss D O Denton JP Mr L I Fellman Mrs P Shaw Mr E W Smith Mr W N Smith ACIS FIPPM	
<i>Chairman</i>	Mr J Greenwood	
<i>Vice Chairman</i>	Mr D Thomas	
<i>Medical Adviser</i>	Dr I J Sawtell MB BS MSc MFOM BA	
<i>Bankers</i>	HSBC Unity Trust Bank Plc UBS AG Ulster Bank Limited Bank of Ireland	
<i>Solicitors</i>	Iliffes Booth Bennett Campbell Riddell Breeze Patterson Eugene P Kearns	
<i>Auditors</i>	haysmacintyre, Chartered Accountants	
<i>Investment Managers</i>	Carr Sheppards Crosthwaite	
<i>Chief Executive</i>	Mr K R Bradley MCMI	
<i>Head Office</i>	24 Upper Ground LONDON SE1 9PD Telephone: 020 7928 6662 Fax: 020 7928 0446 E-mail: marketing@hsf.eu.com	
<i>National Offices</i>	Olympic House Suite D, 5 th Floor 142 Queen Street GLASGOW G1 3BU Telephone: 0141 221 1711 Fax: 0141 248 3992 E-mail: glasgow@hsf.eu.com	Clare Road Mall Clare Road ENNIS Co. Clare, Ireland Telephone: 065 686 2500 Fax: 065 686 2504 E-mail: info@hsf.eu.com



THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS

For the year ended 31st March 2003

BOARD OF DIRECTORS 2002- 2003

Chairman: Mr J Greenwood

Executive:

Mr K R Bradley MCMi

Mr S R Duff

Mr P W Jackson MSc BA(Hons)

Non -Executive:

Mr M J Boyle FCA

Mr G R M Hind

Mr A M Rees BA FCIPD

Mr D L Sawers ACII CIP

Mr D Thomas

Mrs L M C Warner RGN SCM

COMMITTEE MEMBERSHIP

Audit:

Mr M J Boyle – Chairman

Mr J Greenwood

Mr D L Sawers

Human Resources:

Mrs L M C Warner – Chairman

Mr K R Bradley

Mr J Greenwood

Mr A M Rees

Sales and Marketing:

Mr D Thomas – Chairman

Mr K R Bradley

Mr S R Duff

Mr G R M Hind

INTRODUCTION

The Board of Directors is pleased to present the 129th Annual Report and the audited financial statements for the year ended 31st March 2003.

BACKGROUND AND PRINCIPAL ACTIVITIES

The Hospital Saturday Fund, a Company Limited by Guarantee, is a health cash plan organisation. Founded in 1873, the Fund has adapted to the needs of the times, particularly since the National Health Service came into being in 1948. Contributors' interests are represented by Association Members who, in turn, elect the Honorary Officers and Directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31st March 2003

CHARITABLE DONATIONS

The Fund continued to support the Hospital Saturday Fund Charitable Trust by donating the sum of £150,000 under Gift Aid.

CONTRIBUTION INCOME AND BENEFIT PAYMENTS

Total contributions (less Insurance Premium Tax) have increased by 19.6% to £13,271,743. Benefits payable (including Personal Injury premiums and helplines) increased by 15.0% to a total of £9,555,383. These benefits represented 72.0% of contribution income.

FIXED ASSETS

Changes in tangible fixed assets are shown in Note 10 of the financial statements

INVESTMENTS AND RESERVES

The market value of our investments decreased by £1,383,034 to £5,664,038. The revenue deficit after taxation of £332,940 has reduced the Fund's reserves to £10,199,843.

INVESTMENT MANAGERS

In August 2002 the Board appointed Carr Sheppards Crosthwaite as Investment Managers in succession to Gerrard Limited.

BOARD OF DIRECTORS

At the Association Meeting in April 2002 Mr John Greenwood was re-elected to serve for a third year as Chairman. Mr David Thomas was re-elected as a Non-Executive Director for a further three year term and Mr Michael Boyle was elected for the first time for a three year term. At this meeting Mr Donald Barnes retired as a Director, having served for ten years. The Board and its three Committees continued to function effectively, and both Executive and Non-Executive Directors work together as a forceful team.

RISK ASSESSMENT

The assessment commissioned by the Board towards the end of the previous financial year, was undertaken by Chantrey Vellacott DFK. A risk management strategy evolved from their far reaching report, and the Board and its Committees spent a considerable amount of time reviewing working practices which, in the main, were found to be entirely satisfactory. The risk register will form the basis for annual reviews.

INVESTOR IN PEOPLE / EXCELLENCE THROUGH PEOPLE

The *Investor in People* recognition, granted in the summer of 2001, set standards which we shall need to maintain if we are to continue to hold the recognition. Board and Committee business plans have been updated, in order to reflect current and future activities.

Progress in Ireland with *Excellence Through People* was delayed due to the office move mentioned later in this report.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31st March 2003

SALES AND MARKETING

Membership continued to grow throughout another year, particularly in the higher value schemes. In total just over 18,000 contributors were enrolled (over 13% more than the previous year) bringing the total to 108,000. Nearly 70 new companies were taken on, which was a similar number to the previous year.

No scheme changes were made during the year, there having been a considerable number during the previous year. Efforts were concentrated on promoting the wide range of attractive schemes, resulting in the significant increases in membership outlined above.

In Ireland the conversion to the range of schemes with euro titles continued throughout the year, leaving only a very small number of contributors on the old schemes by March 2003.

The percentage of the membership paying £3/€4.25 per week and over, continued to increase to 62.5%

IRELAND OFFICE

Since 1949, the centre of the HSF operations in Ireland had been in Dublin, but difficulties in recruiting and retaining office staff in a city of higher salaries and numerous job opportunities pointed to the need for a radical review. A number of alternative locations were considered and finally a decision was made to relocate to Ennis, the County Town of Clare, which is close to Shannon Airport. The number and high quality of applicants for the various posts in the new office was overwhelming, and the opening date was in June 2003, just outside the period covered by this report.

BEST HEALTH

The cash plan being marketed under this title, underwritten by HSF for the Benenden Healthcare Society, has gone from strength to strength during the year, and at the end of March 2003, there were well over 5000 contributors.

ANNUAL GENERAL MEETING 2002

We returned to Guildhall, London, for the meeting which was held on 8th October 2002. The Lord Mayor Elect of London, Alderman Gavyn Arthur, was elected as President, and the Vice Presidents elected were the Earl of Meath, the Lord Provost of Glasgow, the Lord Mayor of Dublin and Mr K Fleming Roberts. The guest speaker was Bob Holness, the television presenter of *Blockbusters* and *Call My Bluff*. He came to us representing the Variety Club, and his talk included aspects of the work of that organisation and also stories from his long career in television.

BRITISH HEALTH CARE ASSOCIATION

The Annual Conference in September 2002 was held in Bournemouth, hosted by HSA, who provided generous hospitality and entertainment. Keith Bradley was elected President of the BHCA, the first Chief Executive of a Member Organisation to hold that office.

Belonging to a trade association and actively participating in its work continues to be important. The recognition of the BHCA as the *voice* of Health Cash Plans, by the Financial Services Authority, the Financial Ombudsman Service and Government Departments demonstrates this.

THE HOSPITAL SATURDAY FUND

REPORT OF THE BOARD OF DIRECTORS (continued)

For the year ended 31st March 2003

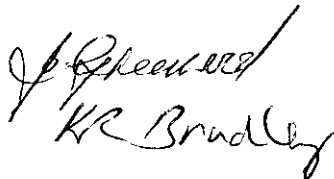
APPRECIATION

The Directors continue to be grateful for the co-operation and assistance which the Fund receives. Employers who operate payroll deduction facilities and allow recruitment on their premises ensure that HSF is able to operate simply and efficiently in a very cost effective manner. The personal recommendation given by existing contributors to their work colleagues, is also highly valued. The validation of our claim forms by staff in hospitals is still a much appreciated and a vital service.

The Directors, both Executive and Non-Executive, are conscious of the very valuable contribution made by all members of staff throughout the year which has again enabled the Fund to record outstanding achievements in both the UK and Ireland in these highly competitive times. The Board has great confidence in the Fund's future.

JOHN GREENWOOD, *Chairman*

KEITH R BRADLEY, *Chief Executive*



14 July 2003

HSF Mission Statement

Our Mission is: To be recognised as the number one Health Care Cash Plan provider in the UK and Ireland by offering the best value range of schemes and ensuring a first class service for every contributor.

THE HOSPITAL SATURDAY FUND
INDEPENDENT AUDITORS'
REPORT TO THE MEMBERS OF THE
ASSOCIATION OF THE HOSPITAL SATURDAY FUND

We have audited the financial statements of The Hospital Saturday Fund for the year ended 31 March 2003 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's Members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

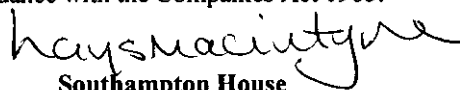
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

haysmacintyre
Chartered Accountants
Registered Auditors


Southampton House
317 High Holborn
London
WC1V 7NL

14th July 2003

THE HOSPITAL SATURDAY FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
Technical account general business			
Earned premiums			
Gross premiums written		13,280,753	11,140,473
Change in the gross provision for unearned premiums		(9,010)	(45,435)
Gross premiums earned		13,271,743	11,095,038
Less: reinsurance premiums		(796,177)	(772,741)
Net premiums earned		12,475,566	10,322,297
Allocated investment return transferred from the non-technical account		(1,351,216)	339,500
Claims incurred	3		
Gross claims paid		(8,680,251)	(7,476,013)
Change in the gross provision for claims outstanding		30,011	(14,304)
		(8,650,240)	(7,490,317)
Net operating expenses	5	(2,877,476)	(2,982,042)
Investment expenses and charges		(29,705)	(27,883)
Balance on the technical account for general business		(433,071)	161,555
Non-technical account			
Investment income			
Income from listed investments		166,198	163,454
Interest receivable		97,780	98,270
(Losses)/gains on the realisation of investments		(232,160)	100,501
Unrealised (losses)/gains - Land and buildings		-	156,086
- Other financial investments		(1,383,034)	(178,811)
		(1,351,216)	339,500
Allocated investment return transferred to the technical account		1,351,216	(339,500)
(Deficit)/surplus on ordinary activities before tax	4	(433,071)	161,555
Taxation	7	100,131	27,324
(Deficit)/surplus for the year after tax		(332,940)	188,879
General fund at 1 April		10,532,783	10,343,904
General fund at 31 March		10,199,843	10,532,783

The surplus on ordinary activities before taxation is wholly attributable to continuing activities. The Fund has no recognised gains or losses other than the surplus or deficit for the above years.

THE HOSPITAL SATURDAY FUND

BALANCE SHEET

AS AT 31 MARCH 2003

	Notes	£	2003 £	£	2002 £	£
ASSETS						
Investments						
Land and buildings	8	1,277,343			1,304,468	
Other financial investments	9	5,664,038			6,116,945	
				6,941,381		7,421,413
Debtors						
Debtors arising out of direct insurance operations:						
- policyholders		1,081,399			836,841	
- other debtors		138,873			20,830	
				1,220,272		857,671
Other Assets						
Tangible fixed assets	10	155,164			234,385	
Cash at bank and in hand		3,395,830			3,415,284	
				3,550,994		3,649,669
Prepayments and Accrued Income						
				70,919		88,631
TOTAL ASSETS						
				11,783,566		12,017,384
LIABILITIES						
General Fund						
				10,199,843		10,532,783
Technical Provisions						
Provision for unearned premiums		306,196			297,186	
Provision for claims outstanding		266,804			296,815	
				573,000		594,001
Provisions for Other Risks and Charges						
Provision for deferred taxation	11			608,167		708,298
Creditors						
Other creditors including taxation and social security				402,556		182,302
TOTAL LIABILITIES						
				11,783,566		12,017,384

Approved by the Directors on

JOHN GREENWOOD, Chairman

KEITH R BRADLEY, Chief Executive

14th July 2003

THE HOSPITAL SATURDAY FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2003

	2003 £	2002 £
Reconciliation of surplus on ordinary activities		
Before tax to net operating cash flows		
(Deficit)/surplus on ordinary activities before tax	(433,071)	161,555
Unrealised losses on investments and property	1,383,034	22,725
Losses/(profits) on the realisation of investments	232,160	(100,501)
Income from investments	(263,978)	(261,724)
	<u>918,145</u>	<u>(177,945)</u>
 Depreciation	 175,276	 156,539
Decrease in contributions due and other debtors	(344,889)	(117,966)
Increase in benefit claims and other creditors	199,253	18,615
	<u>947,785</u>	<u>(120,757)</u>
CASH FLOW STATEMENT		
 Net cash inflow/(outflow) from operating activities	 947,785	 (120,757)
 Returns on investments and servicing of finance (Note A)	 263,978	 261,724
Capital expenditure (Note A)	(68,930)	(54,737)
	<u>1,142,833</u>	<u>86,230</u>
 Cash flows were invested as follows:		
(Decrease)/increase in cash holdings	(19,454)	700,432
Net portfolio investments (Note A)	1,162,287	(614,202)
	<u>1,142,833</u>	<u>86,230</u>
 Net cash flow for the period (Note B)		
Cash flow	(19,454)	700,432
Portfolio investments	1,162,287	(614,202)
	<u>1,142,833</u>	<u>86,230</u>
 Movement arising from cash flows	 1,142,833	 86,230
Changes in market value	(1,615,194)	(78,310)
	<u>(472,361)</u>	<u>7,920</u>
 Total movement in cash and portfolio investments	 (472,361)	 7,920
Portfolio investments and cash at 1 April 2002	9,532,229	9,524,309
	<u>9,059,868</u>	<u>9,532,229</u>
 Portfolio investments and cash at 31 March 2003		

THE HOSPITAL SATURDAY FUND
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

A GROSS CASH FLOWS

	2003 £	2002 £
Returns on investments and servicing of finance		
Income received from listed investments	166,198	163,454
Interest received	97,780	98,270
	<u>263,978</u>	<u>261,724</u>
Capital Expenditure		
Purchase of tangible fixed assets - Other	(68,930)	(54,737)
Portfolio Investments		
Purchases of investments	(2,798,186)	(201,341)
Sales of investments	1,635,899	815,543
	<u>(1,162,287)</u>	<u>614,202</u>

B MOVEMENT IN CASH AND PORTFOLIO INVESTMENTS

	At 1.4.2002 £	Cash flows £	Changes in Market Values £	At 31.3.2003 £
Cash in hand and at bank	3,415,284	(19,454)	-	3,395,830
Listed investments	6,116,945	1,162,287	(1,615,194)	5,664,038
	<u>9,532,229</u>	<u>1,142,833</u>	<u>(1,615,194)</u>	<u>9,059,868</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES

Except as detailed below, the financial statements have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985, which cover disclosures applicable to insurance companies.

Schedule 9A of the Companies Act 1985 sets out the requirements for the format of the accounts of insurance companies and does not include the caption "Income and Expenditure Account". The Board has incorporated an income and expenditure account in order for the accounts to show a true and fair view. Their reason for incorporating this account is that The Hospital Saturday Fund is a mutual insurance company which does not trade with a view to profits or any distribution of profits as dividends to members. Accordingly, to incorporate a profit and loss account would be misleading and would not give a true and fair view.

The financial statements have been prepared in accordance with applicable accounting standards.

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention modified to incorporate the revaluation of freehold land and buildings and other financial investments.

(b) Premiums

Earned premiums represent contributions from members for the year, excluding insurance premium tax and including an estimate of amounts due on 31 March and subsequently received.

Provision is made for premiums received, but not earned at the balance sheet date.

All premiums arise in the United Kingdom and Ireland.

(c) Claims Incurred

Claims incurred represent benefits payable to members for the year, and include provision for claims in respect of the period to 31 March settled after that date.

(d) Acquisition Costs

The costs of acquiring new business which are incurred during the financial year, but which relate to a subsequent year are deferred to the extent that they relate to unearned premiums at the balance sheet date. During the current and preceding financial year such costs were not material and therefore are not separately disclosed.

(e) Depreciation

Depreciation is calculated to write off the cost less estimated residual value of assets in equal instalments over their expected useful lives. The rates used are as follows:

Freehold and long leasehold properties	2%
Furniture and equipment	20%
Computer equipment	25%

(f) Translation of Foreign Currency

Transactions in foreign currencies are converted monthly at the relevant month end rates of exchange. At the year end assets and liabilities are converted at the exchange rates ruling at that date. Exchange differences are dealt with through the Income and Expenditure Account.

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES (continued)

(g) Pension Costs

The Fund operates a defined contribution pension scheme providing benefits for certain employees and make contributions to employees' personal pension plans. The pension cost charge represents contributions payable by the Fund to the personal pension plans in respect of the year.

(h) Investments

Land and buildings occupied by the Fund for its own purposes are stated at cost or valuation less depreciation.

Listed investments are included in the balance sheet at mid-market value. Unrealised gains and losses on the revaluation of listed investments are taken to the Technical Account.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and mid-market value at 31 March 2002.

(i) Deferred Taxation

Full provision is made for deferred tax in respect of all non-permanent timing differences that have originated but not reversed at the balance sheet date.

(j) Leases

Rental costs payable under operating leases are charged to the Income and Expenditure Account over the period of each lease.

2. CONTRIBUTION INCOME

The Fund is engaged in only one class of business all of which arises in the United Kingdom and Ireland.

3. CLAIMS INCURRED

	2003 £	2002 £
Hospital	1,988,038	1,985,768
Day case	163,761	146,863
Recuperation	226,295	197,621
Maternity	627,658	550,840
Specialists/Investigations	543,068	440,313
Optical/dental	4,237,970	3,511,241
Home help	18,056	19,300
Practitioners	552,591	452,580
General Practitioners	281,107	181,003
Surgical appliances/hearing aids	11,696	4,788
	<u>8,650,240</u>	<u>7,490,317</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

4.	SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX CLAIMS INCURRED	2003 £	2002 £
	<i>Surplus on ordinary activities before tax is stated after Charging/(crediting):</i>		
	Depreciation - owned assets	175,276	156,539
	Auditors' remuneration - audit	14,617	13,219
	- other	5,593	2,937
	Operating leases - computer equipment	-	14,504
	- others	97,235	90,025
	Foreign exchange (gains)/losses	(233,260)	15,422
	Recharge of administrative expenses to The Hospital Saturday Fund Charitable Trust	<u>(18,000)</u>	<u>(16,285)</u>

5.	NET OPERATING EXPENSES	2003 £	2002 £
	Donation to Charitable Trust	151,002	140,036
	Staff costs	1,758,532	1,616,914
	Other administrative expenses	659,138	799,022
	Sales/marketing expenses	308,804	426,070
		<u>2,877,476</u>	<u>2,982,042</u>

£150,000 (2002: £139,996) of the donation represents amounts paid under Gift Aid to The Hospital Saturday Fund Charitable Trust, a registered charity.

6.	STAFF COSTS	2003 £	2002 £
	Wages and salaries	1,434,655	1,329,325
	Social security costs	151,847	132,912
	Other pension costs	156,347	154,677
	Redundancy costs	15,683	-
		<u>1,758,532</u>	<u>1,616,914</u>
	Staff costs of directors including emoluments for the year	<u>238,737</u>	<u>218,392</u>
	Highest paid director : Emoluments including benefits-in-kind	<u>87,517</u>	<u>87,212</u>

Contributions totalling £34,811 (2002: £34,269) were made to a defined contribution pension scheme in respect of 3 directors (2002 : 3 directors).

	Number	Number
The average number of persons employed during the year was:		
Sales	19	19
Administration	32	31
	<u>51</u>	<u>50</u>

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

7. TAXATION

As in previous years, the Fund is treated as mutually trading for the year ended 31 March 2003 and accordingly its trading profits are not liable to corporation tax. From 1 April 2003, the Fund will lose its mutual status and its profits will become liable to corporation tax from that date. The Fund continues to be liable to corporation tax on its investment income, excluding UK dividends, bank deposit interest and capital gains on disposal of investments less charges on income.

As from 1 April 2002, gains and losses on the Fund's investments are taxed under the Inland Revenue rules for insurance companies. Gains and losses realised on disposals of investments during the year and the unrealised gains and losses on revaluation of the portfolio to market value at the year end are now subject to corporation tax. Unrealised gains in the portfolio as at 31 March 2002 will be liable to corporation tax when realised.

The tax charge/(credit) in the Income and Expenditure account is made up as follows.

	2003 £	2002 £
Tax due on trading profits	-	-
Tax due on investment income	29,334	33,042
Tax due on realised investment gains	161,528	8,729
Losses utilised	(190,862)	-
Tax relief on payment made under Gift Aid	-	(41,771)
Decrease in provision for deferred taxation	(100,131)	(27,324)
	<u>(100,131)</u>	<u>(27,324)</u>

The tax assessed for the year differs from the standard corporation tax rate in the UK of 30%.

The differences are explained below:

Loss on ordinary activities before tax	(433,071)	161,555
Loss on ordinary activities before tax multiplied by the standard tax rate of 30%	(129,921)	48,467
Effects of:		
Amounts not subject to corporation tax	(275,444)	53,383
Indexation allowance	(19,249)	(21,421)
Dividend and distribution income	(49,859)	(45,475)
Unrealised losses on investments	-	53,643
Realised gains on investments	180,777	-
Revaluation of property	-	(46,826)
Donation made under Gift Aid	-	(41,771)
Losses carried forward against future profits	293,696	-
Decrease in deferred taxation provision	(100,131)	(27,324)
Tax on loss of ordinary activities	<u>(100,131)</u>	<u>(27,324)</u>

The Fund has losses of £978,986 available to carry forward against future trading profits, investment income and investment gains.

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

8. LAND AND BUILDINGS

The Fund owns a freehold property at 24 Upper Ground, London SE1 9PD and a long leasehold property at 14 The Anchorage, Charlotte Quay, Ringsend Road, Dublin 4. Both properties are used for the Fund's own activities. On 29 May 2002, the Head Office property at 24 Upper Ground, London SE1 9PD was valued on an open market basis by Keith Lumley, Chartered Surveyors at £1,000,000. On 12 March 2002 the property at 14 The Anchorage, Charlotte Quay, Ringsend Road, Dublin 4 was valued on an open market basis by DTZ Sherry Fitzgerald, Chartered Surveyors at £356,250.

At Cost/Valuation	London £	Dublin £	Total £
At 1 April 2002	1,000,000	356,250	1,356,250
	<u>1,000,000</u>	<u>356,250</u>	<u>1,356,250</u>
Comprising:-			
Cost	-	-	-
Valuation	1,000,000	356,250	1,356,250
	<u>1,000,000</u>	<u>356,250</u>	<u>1,356,250</u>

The total historical cost of freehold and long leasehold property at 31 March 2003 is £1,038,138 (2002: £1,038,138)

Depreciation

At 1 April 2002	50,000	1,782	51,782
Charge for the year	18,225	8,900	27,125
	<u>68,225</u>	<u>10,682</u>	<u>78,907</u>
At 31 March 2003			
Net book value			
At 31 March 2003	931,775	345,568	1,277,343
	<u>931,775</u>	<u>345,568</u>	<u>1,277,343</u>
At 1 April 2002	950,000	354,468	1,304,468
	<u>950,000</u>	<u>354,468</u>	<u>1,304,468</u>

9. OTHER FINANCIAL INVESTMENTS

	2003 £	2002 £
At market value		
United Kingdom equities	4,250,235	5,623,657
European Unit Trusts	212,093	332,585
Bonds	1,008,823	-
US Unit Trusts	192,887	160,703
	<u>5,664,038</u>	<u>6,116,945</u>

The cost of listed investments at 31 March 2003 was £3,818,286 (2002: £2,275,160).

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

10.	TANGIBLE FIXED ASSETS	Furniture and Equipment £
	Cost	
	At 1 April 2002	745,120
	Additions	68,930
	At 31 March 2003	814,050
	Depreciation	
	At 1 April 2002	510,735
	Charge for year	148,151
	At 31 March 2003	658,886
	Net book value	
	At 31 March 2003	155,164
	At 1 April 2002	234,385
11.	PROVISION FOR DEFERRED TAXATION	2003 £
		2002 £
	At 1 April 2002	708,298
	Transfer to income and expenditure account	(100,131)
	At 31 March 2003	608,167

Provision is made for deferred tax on the assumption that the Fund's other financial investments were sold for their market value at the balance sheet date.

12. PENSION COSTS

The Fund operates a defined contribution pension scheme and makes contributions to employees' personal pension plans. The assets of the scheme are held separately from those of the Fund in an independently administered fund. The pension cost charge represents contributions payable for the year by the Fund to the scheme and personal pension plan and amounted to £156,346 (2002: £154,677).

At the balance sheet date, there were no outstanding or prepaid contributions (2002 : £Nil).

THE HOSPITAL SATURDAY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2003

13. OPERATING LEASE COMMITMENTS

At 31 March 2003, the Fund had annual commitments under operating leases which expire as follows:

	2003		2002	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Within one year	-	17,579	-	7,660
In the second to fifth years inclusive	2,750	57,635	-	72,228
	<u>2,750</u>	<u>75,214</u>	<u>-</u>	<u>79,888</u>

14. CONTINGENT ASSETS AND LIABILITIES

No provision has been made for any levy which the Fund may be called upon to pay under the provisions of the Policyholders Protection Act 1975. The maximum amount of any such levy in respect of the current financial year would be £132,700 (2002: £111,000).

15. INSURANCE PREMIUM TAX

Insurance premium tax of £403,662 (2002: £338,525) has been incurred during the year and has already been deducted from gross premiums earned.

16. RELATED PARTY TRANSACTIONS

During the year, the following transactions transpired with The Hospital Saturday Fund Charitable Trust, a charity administered by the Fund.

- annual donation of £150,000 was made (2002: £139,996)
- management fee of £18,000 receivable (2002: £16,285)

At 31 March 2003, the Fund owed the Charitable Trust £132,000 (2002: £81)